

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 892 - Film Promotion Program & Tax Credits (LSB 1515 HZ)

Analyst: Jeff Robinson (Phone: (515) 281-4614) (Jeff.Robinson@legis.state.ia.us)

Fiscal Note Version - New

Description

House File 892 creates a Film, Television, and Video Project Promotion Program and an associated fund. The Program and Fund are to be administered by the Department of Economic Development. Money in the Fund may be used to provide financial assistance under the Program.

The Bill also creates two new income tax credits and an exclusion from taxable income. Each credit or exclusion is available to film, television, or video projects approved under the Program. The tax incentives include:

- An income tax credit equal to 25.0% of the qualified expenditures of the project. Unused tax credits may be carried forward up to five tax years, but may not be carried back to previous tax years. The tax credits are transferable.
- An income tax credit equal to 25.0% of a taxpayer's investment in a qualified project. Unused tax credits may be carried forward up to five tax years, but may not be carried back to previous tax years. The tax credits are transferable.
- An exclusion from taxable income for payments received for the rental, sale, or furnishing of tangible personal property or for services rendered to a qualified project.

The tax incentives are effective retroactive to January 1, 2007.

Assumptions

- Qualified film expenditures will equal \$1.33 million per year.
- Qualified film investments will equal \$1.50 million per year.
- Taxable income excluded under the qualified expenditure exclusion will equal \$1.33 million per year, and the average marginal income tax rate will equal 5.9%.
- The tax credits will be redeemed on average over three years on the following schedule:
 - First year = 60.0%
 - Second Year = 30.0%
 - Third year = 10.0%.
- Due to Program start-up, FY 2008 tax credit redemption will equal 40.0% of full projected costs and FY 2009 credit redemption will equal 75.0% of full projected cost.

Fiscal Impact

The tax credits and income exclusion contained in HF 892 will reduce net General Fund revenue by the following estimated amounts:

- FY 2008 = \$201,000
- FY 2009 = \$536,000
- FY 2010 = \$786,000

The fiscal impact is projected to increase at the rate of inflation for future fiscal years.

Sources

Department of Economic Development
Department of Revenue
Legislative Services Division Analysis

/s/ Holly M. Lyons

April 5, 2007

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
